

ORANGEVILLE CITY
FINANCIAL STATEMENTS
JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Orangeville City
Orangeville, Utah 84537

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orangeville City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Orangeville City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orangeville City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2006, on our consideration of Orangeville City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, condition assessment of the City's infrastructure and budgetary comparison information on pages 4 through 13, 41 and 42 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 8, 2006
Richfield, Utah

ORANGEVILLE CITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

This discussion of Orangeville City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2006. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation, and cemetery.

Financial Highlights

- * The assets of Orangeville City exceeded its liabilities as of the close of the most recent year by \$6,196,479 (net assets). Of this amount, \$59,138 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$712,308. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, Orangeville City's governmental funds reported ending fund balance of \$108,568, a decrease of (\$36,387) in comparison with the prior year. At year end the City had a negative unreserved fund balance of (\$62,457) in its general fund.
- * Orangeville City's total debt increased by \$340,562 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Orangeville City's basic financial statements. Orangeville City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Orangeville City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Orangeville City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Orangeville City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Orangeville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Orangeville City include general government, public safety, highways and public improvements,

parks and recreation, and cemetery. The business-type activity of Orangeville City is the utility fund, containing water, sewer and garbage services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Orangeville City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Orangeville City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Orangeville City maintains three governmental funds, the general fund, which is always a major fund, the Municipal Building Authority and the Perpetual Care Fund, a Permanent Fund.

Orangeville City adopts an annual appropriated budget for its general fund and Municipal Building Authority. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Orangeville City maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Orangeville City uses an enterprise fund to account for its water, sewer and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is considered a major fund of Orangeville City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Orangeville City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Orangeville, assets exceeded liabilities by \$6,196,479 at the close of the most recent fiscal year.

By far the largest portion of Orangeville's net assets (97 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Orangeville uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Orangeville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Orangeville City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	130,064	163,854	133,284	133,103	263,348	296,957
Capital Assets	<u>5,629,726</u>	<u>4,542,145</u>	<u>717,647</u>	<u>713,077</u>	<u>6,347,373</u>	<u>5,255,222</u>
Total Assets	<u>5,759,790</u>	<u>4,705,999</u>	<u>850,931</u>	<u>846,180</u>	<u>6,610,721</u>	<u>5,552,179</u>
Long-Term Liabilities	357,882	28,285	9,233	10,340	367,115	38,625
Other Liabilities	<u>36,037</u>	<u>18,899</u>	<u>11,090</u>	<u>10,484</u>	<u>47,127</u>	<u>29,383</u>
Total Liabilities	<u>393,919</u>	<u>47,184</u>	<u>20,323</u>	<u>20,824</u>	<u>414,242</u>	<u>68,008</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	5,264,910	4,517,891	707,852	702,737	5,972,762	5,220,628
Restricted	164,579	180,060	-	-	164,579	180,060
Unrestricted	<u>(63,618)</u>	<u>(39,136)</u>	<u>122,756</u>	<u>122,619</u>	<u>59,138</u>	<u>83,483</u>
Total Net Assets	<u>5,365,871</u>	<u>4,658,815</u>	<u>830,608</u>	<u>825,356</u>	<u>6,196,479</u>	<u>5,484,171</u>

A portion of Orangeville City's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$59,138 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Orangeville City is able to report positive balances in all three categories of net assets, for the government as a whole.

Governmental Activities

Governmental activities increased Orangeville City's net assets by \$707,056. Key elements of this increase follows:

Orangeville City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	64,228	49,420	208,713	209,100	272,941	258,520
Operating Grants and Contributions	106,050	53,518	16,500	-	106,050	53,518
Capital Grants/Contr.	644,168					
General Revenues:						
Property Taxes	47,635	45,146	-	-	47,635	45,146
Other Taxes	213,701	201,920	-	-	213,701	201,920
Unrestricted Investment Earnings	13,000	6,155	523	491	13,523	6,646
Total Revenues	<u>1,088,782</u>	<u>356,159</u>	<u>225,736</u>	<u>209,591</u>	<u>653,850</u>	<u>565,750</u>
Expenses:						
General Government	155,402	140,079	-	-	155,402	140,079
Public Safety	41,847	28,424	-	-	41,847	28,424
Public Health	-	-	220,145	215,366	220,145	215,366
Highways	132,922	134,368	-	-	132,922	134,368
Parks and Recreation	32,681	17,675	-	-	32,681	17,675
Cemetery	18,327	17,411	-	-	18,327	17,411
Interest on Long-Term Debt	547	647	339	331	886	978
Total Expenses	<u>381,726</u>	<u>338,604</u>	<u>220,484</u>	<u>215,697</u>	<u>602,210</u>	<u>554,301</u>
Increase in Net Assets Before Transfers	707,056	17,555	5,252	(6,106)	712,308	11,449
Transfers	-	-	-	-	-	-
Increase in Net Assets	707,056	17,555	5,252	(6,106)	712,308	11,449
Net Assets - Beginning	<u>4,658,815</u>	<u>4,641,260</u>	<u>825,356</u>	<u>831,462</u>	<u>5,484,171</u>	<u>5,472,722</u>
Net Assets - Ending	<u>5,365,871</u>	<u>4,658,815</u>	<u>830,608</u>	<u>825,356</u>	<u>6,196,479</u>	<u>5,484,171</u>

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased Orangeville City's net assets by \$5,252. Key elements of the increase are as follows:

* Acquisition of capital assets through grants and contributions.

Financial Analysis of the Government's Funds

As noted earlier, Orangeville City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Orangeville City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing Orangeville City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Orangeville City's governmental funds reported combined ending fund balances of \$108,568, a decrease of (\$36,387) in comparison with the prior year. The unreserved fund balances are in a negative position of (\$56,011) at year end. The remainder of fund balance is *reserved* to indicated that it is not available for new spending because it has already been committed to: 1) perpetual care of \$102,043 2) bond reserves \$4,000, and 3) Class C Roads \$58,536.

The general fund is the chief operating fund of Orangeville City. At the end of the current year, unreserved fund balance of the general fund was in a negative position, while total fund balance reached \$108,568. As a measure of general fund's liquidity, it may be useful to compare total fund balance to total expenditures in the general fund. Total fund balance represents 23% of total general fund expenditures.

Proprietary Funds

Orangeville City's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year was \$122,756. Other factors concerning the finances of this fund has already been addressed in the discussion of Orangeville City's business type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of (\$36,085) can be briefly summarized as follows:

- * General Government expenditures increased by \$18,468.
- * Culture and Recreation expenditures decreased by \$51,234.
- * Public Safety expenditures decreased by \$4,520.
- * Highways and Public Improvements expenditures increased by \$4,520.

Of this decrease, none was funded out of prior year unreserved fund balance. During the year, however, actual revenues were less than budgeted revenues by \$124,269, and actual expenditures were less than budgeted expenditures by \$74,455 resulting in a net decrease in fund balance of \$49,8147.

Capital Asset and Debt Administration

Capital Assets

Orangeville City's investment in capital assets for its governmental activities as of June 30, 2006, was \$5,629,726 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and bridges. The net increase in Orangeville City's investment in capital assets for the current year was \$1,126,927.

Major capital asset events during the current year included the following:

- * Firehouse for \$720,000
- * Significant infrastructure additions of \$394,927 for curb and gutters.

Also, the City has elected to use the modified approach to account for its infrastructure assets, such as roads and bridges. That information can be found in the required supplemental information following the notes to the financial statements.

Orangeville City's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	126,400	126,400	3,155	3,155	129,555	129,555
Water Shares	-	-	615,148	598,648	615,148	598,648
Infrastructure	4,435,655	4,040,728	-	-	4,435,655	4,040,728
Buildings	902,484	197,621	-	-	902,484	197,621
Improvements Other than Buildings	58,471	55,667	99,344	111,274	157,815	166,941
Equipment	106,716	121,729	-	-	106,716	121,729
Total	5,629,726	4,542,145	717,647	713,077	6,347,373	5,255,222

Additional information on Orangeville City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Orangeville City had total long-term debt outstanding of \$374,611. The debt represents a loan secured by water shares, and debt secured by land and a loan on Class C Roads secured by Class C Road funds.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Long-Term Debt	364,816	24,254	9,795	10,340	374,611	34,594

State statutes limit the amount of general obligation debt a governmental entity may issue up to 4 percent of its total fair market value of taxable property in the City. The current debt limitation for Orangeville City is approximately \$1,091,480. Orangeville City has no general obligation debt.

Additional information on Orangeville City's long-term debt can be found in the notes of the financial statements.

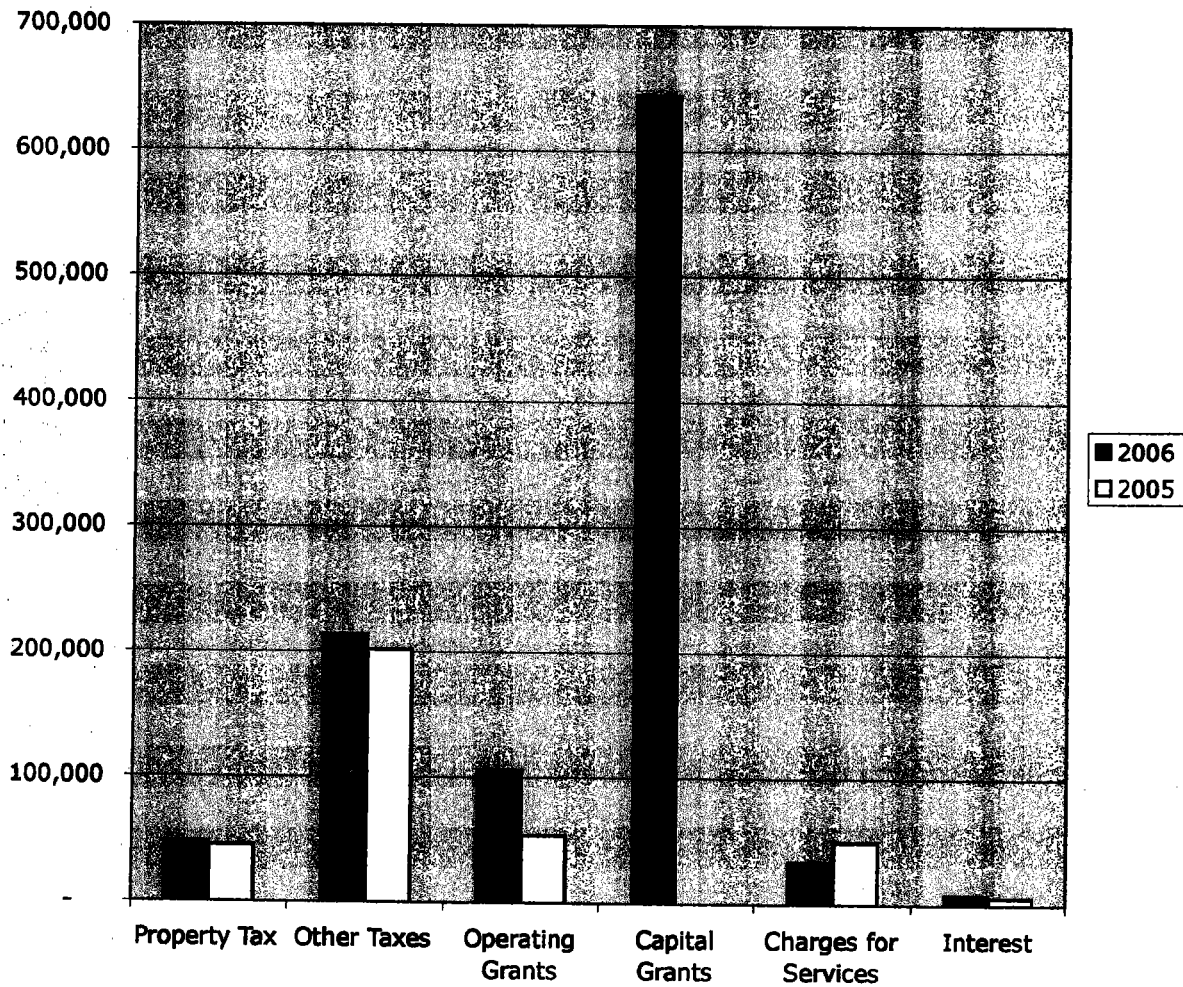
Request for Information

This financial report is designed to provide a general overview of Orangeville City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Orangeville City Recorder, P.O. Box 677, Orangeville, Utah, 84537.

**Orangeville City
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Property Tax	47,635	45,146
Other Taxes	213,701	201,920
Operating Grants	106,050	53,518
Capital Grants	644,168	
Charges for Services	33,730	49,420
Interest	7,951	6,155
Total Revenues	<u>1,053,235</u>	<u>356,159</u>

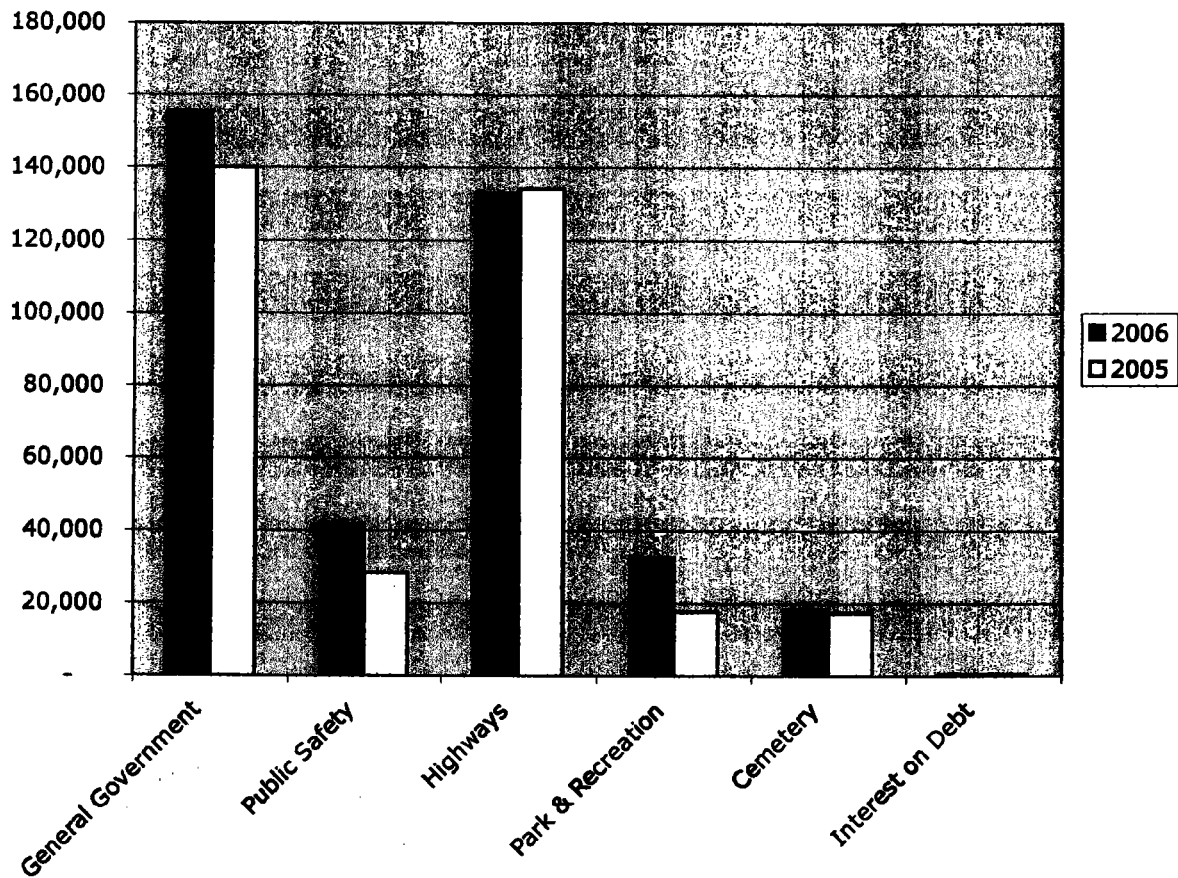
Governmental Revenues



Orangeville City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
General Government	155,402	140,079
Public Safety	41,847	28,424
Highways	132,922	134,368
Park & Recreation	32,681	17,675
Cemetery	18,327	17,411
Interest on Debt	547	647
Total Expenditures	381,726	338,604

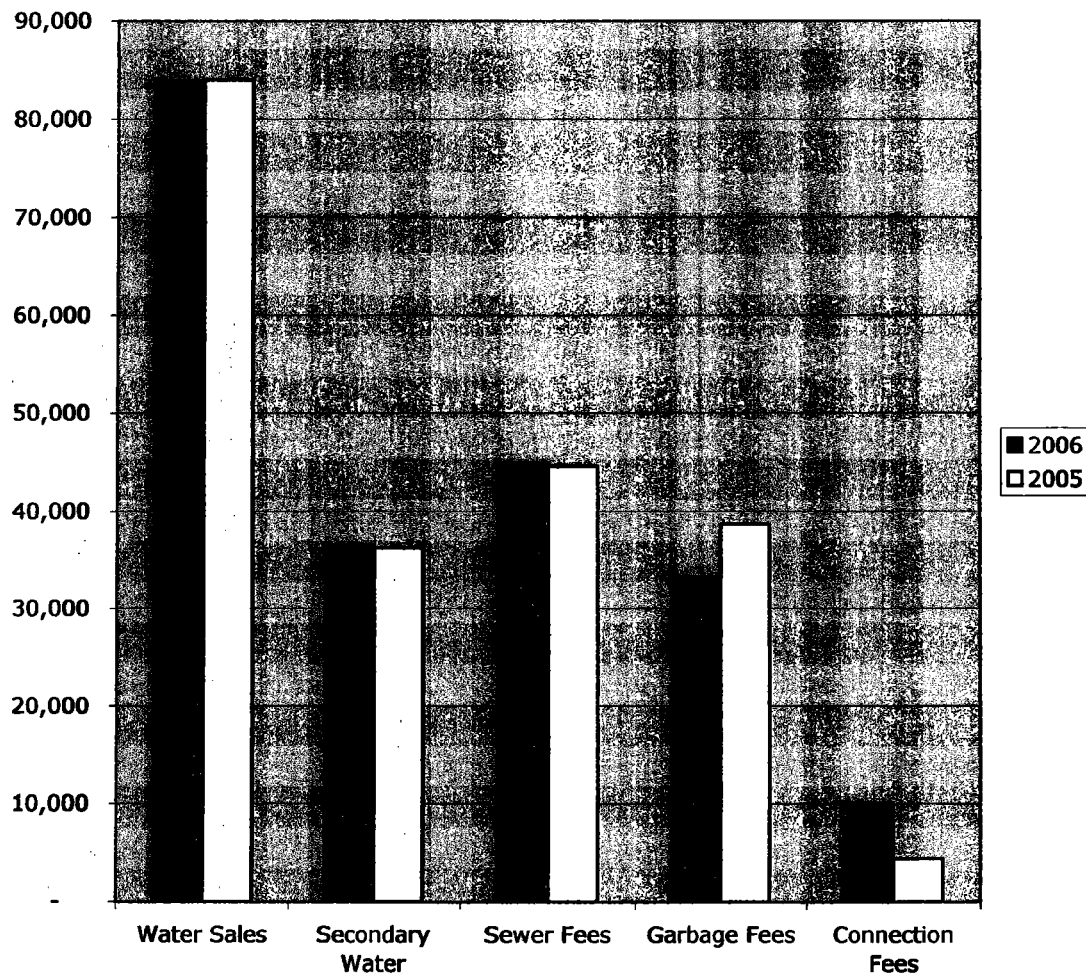
Governmental Expenditures



Orangeville City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Water Sales	83,843	83,962
Secondary Water	36,567	36,257
Sewer Fees	44,927	44,577
Garbage Fees	33,306	38,674
Connection Fees	10,070	4,430
Total Revenues	208,713	207,900

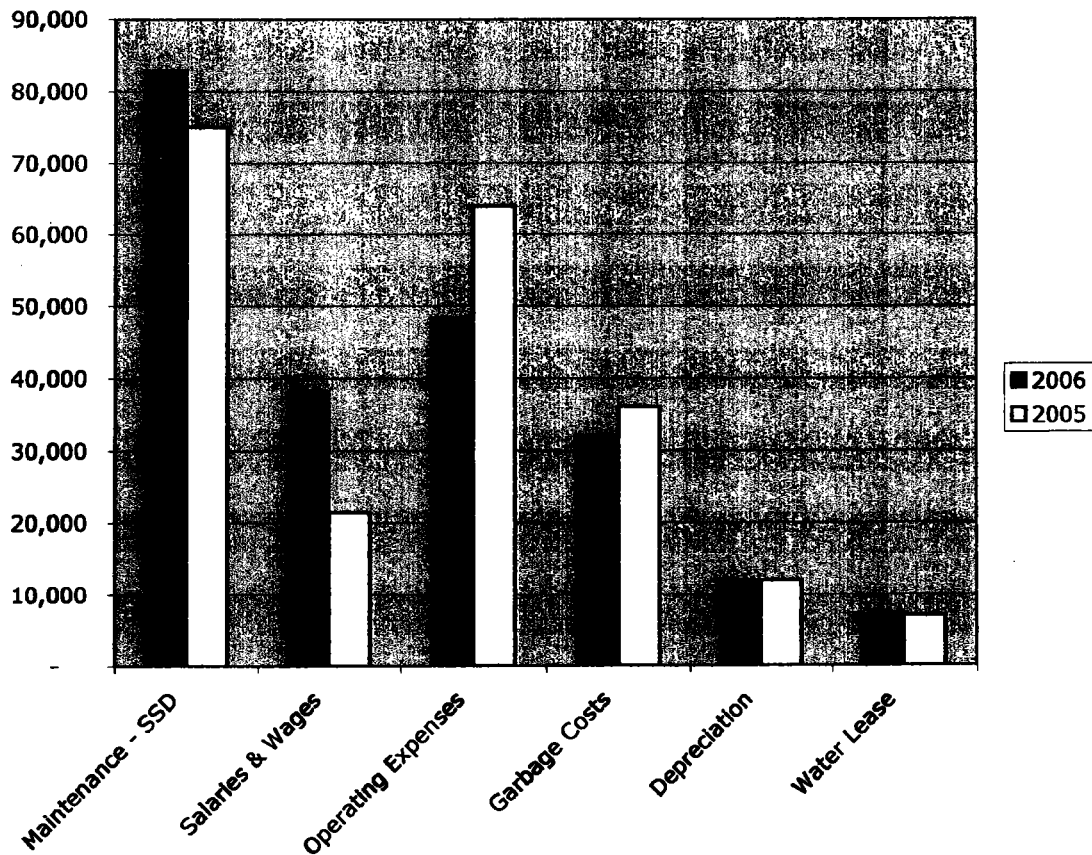
Business-Type Revenues



Orangeville City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Maintenance - SSD	82,867	75,031
Salaries & Wages	38,212	21,445
Operating Expenses	48,391	63,958
Garbage Costs	32,084	36,002
Depreciation	11,930	11,930
Water Lease	7,000	7,000
Total Expenditures	220,484	215,366

Business-Type Expenditures



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**ORANGEVILLE CITY
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	75,143	114,957	190,100
Accounts Receivable (Net)	-	18,327	18,327
Due From Other Government Units	54,921	-	54,921
Total Current Assets	130,064	133,284	263,348
Noncurrent Assets:			
Capital Assets (Net of Accumulated Depreciation):			
Land	126,400	3,155	129,555
Water Shares	-	615,148	615,148
Buildings	902,484	-	902,484
Improvements Other Than Buildings	58,471	99,344	157,815
Equipment	106,716	-	106,716
Infrastructure	4,435,655	-	4,435,655
Total Noncurrent Assets	5,629,726	717,647	6,347,373
TOTAL ASSETS	5,759,790	850,931	6,610,721
LIABILITIES			
Current Liabilities:			
Accounts Payable	20,029	8,916	28,945
Accrued Liabilities	1,467	-	1,467
Deposits Payable	-	1,612	1,612
Notes Payable - Due Within One Year	-	562	562
Bonds Payable - Due Within One Year	14,541	-	14,541
Total Current Liabilities	36,037	11,090	47,127
Noncurrent Liabilities:			
Notes Payable - More Than One Year	-	9,233	9,233
Bonds Payable - More Than One Year	350,275	-	350,275
Compensated Absences	7,607	-	7,607
Total Noncurrent Liabilities	357,882	9,233	367,115
TOTAL LIABILITIES	393,919	20,323	414,242
NET ASSETS			
Investment in Capital Assets, Net of Debt	5,264,910	707,852	5,972,762
Restricted For:			
Bond Retirement	4,000	-	4,000
Perpetual Care	102,043	-	102,043
Class C Road	58,536	-	58,536
Unrestricted	(63,618)	122,756	59,138
TOTAL NET ASSETS	5,365,871	830,608	6,196,479
TOTAL LIABILITIES AND NET ASSETS	5,759,790	850,931	6,610,721

The notes to the financial statements are an integral part of this statement.

**ORANGEVILLE CITY
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
		Primary Government		Business-Type	
		Charges for Operating Services	Grants/ Contributions	Governmental Activities	Total
Governmental Activities:					
General Government	155,402	41,766	-	(113,636)	(113,636)
Public Safety	41,847	12,551	820	341,524	341,524
Highways and Public Improvements	132,922	-	105,230	246,476	246,476
Park and Recreation	32,681	705	-	(31,976)	(31,976)
Cemetery	18,327	9,206	-	(9,121)	(9,121)
Interest on Long-Term Debt	547	-	-	(547)	(886)
Total Governmental Activities	381,726	64,228	106,050	432,720	432,381
Business-Type Activities:					
Water and Sewer Fund	220,145	208,713	16,500	-	5,068
Total Primary Government	601,871	272,941	122,550	432,720	437,449
General Revenues:					
Property Taxes		47,635		-	47,635
Fee-In-Lieu of Property Taxes		18,640		-	18,640
Sales Taxes		162,284		-	162,284
Franchise Taxes		32,777		-	32,777
Unrestricted Investment Earnings		13,000		523	13,523
Total General Revenues and Transfers		274,336		523	274,859
Change in Net Assets		707,056		5,252	712,308
Net Assets - Beginning		4,658,815		825,356	5,484,171
Net Assets - Ending		5,365,871		830,608	6,196,479

The notes to the financial statements are an integral part of this statement.

**ORANGEVILLE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	General Fund	Municipal Building Authority	Non-Major Perpetual Care Permanent Fund	Total
ASSETS				
Cash and Cash Equivalents	-	23,085	102,043	125,128
Due From Other Government Units	<u>54,921</u>	<u>-</u>	<u>-</u>	<u>54,921</u>
TOTAL ASSETS	<u><u>54,921</u></u>	<u><u>23,085</u></u>	<u><u>102,043</u></u>	<u><u>180,049</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash Overdraft	49,985	-	-	49,985
Accounts Payable	3,390	16,639	-	20,029
Accrued Liabilities	<u>1,467</u>	<u>-</u>	<u>-</u>	<u>1,467</u>
Total Liabilities	<u><u>54,842</u></u>	<u><u>16,639</u></u>	<u><u>-</u></u>	<u><u>71,481</u></u>
Fund Balances:				
Reserved For:				
Class "C" Road	58,536	-	-	58,536
Perpetual Care	-	-	102,043	102,043
Bond Reserve	4,000	-	-	4,000
Unreserved	<u>(62,457)</u>	<u>6,446</u>	<u>-</u>	<u>(56,011)</u>
Total Fund Balance	<u><u>79</u></u>	<u><u>6,446</u></u>	<u><u>102,043</u></u>	<u><u>108,568</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>54,921</u></u>	<u><u>23,085</u></u>	<u><u>102,043</u></u>	<u><u>180,049</u></u>

The notes to the financial statements are an integral part of this statement.

ORANGEVILLE CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types	108,568
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	126,400	
Buildings	902,484	
Improvements	58,471	
Equipment	106,716	
Infrastructure	<u>4,435,655</u>	

Total		5,629,726
-------	--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Bonds Payable	(364,816)	
Compensated Absences	<u>(7,607)</u>	

Total		<u>(372,423)</u>
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Net Assets of Government Activities	<u><u>5,365,871</u></u>
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ORANGEVILLE CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Municipal Building Authority	Non-Major Perpetual Care Permanent Fund	Total
Revenues:				
Taxes	261,336	-	-	261,336
Licenses and Permits	7,455	-	-	7,455
Intergovernmental Revenue	106,050	-	-	106,050
Charges for Services	33,730	-	-	33,730
Perpetual Care	-	-	6,481	6,481
Interest	7,951	5,049	-	13,000
Miscellaneous Revenues	3,511	12,551	500	16,562
Total Revenues	<u>420,033</u>	<u>17,600</u>	<u>6,981</u>	<u>444,614</u>
Expenditures:				
Current:				
General Government	142,179	-	-	142,179
Public Safety	26,093	11,154	-	37,247
Highways and Public Improvements	120,943	-	-	120,943
Parks and Recreation	19,461	-	-	19,461
Cemetery	18,327	-	-	18,327
Capital Outlay	132,859	720,000	-	852,859
Debt Service:				
Principal	9,438	-	-	9,438
Interest	547	-	-	547
Total Expenditures	<u>469,847</u>	<u>731,154</u>	<u>-</u>	<u>1,201,001</u>
Excess Revenues Over (Under)				
Expenditures	<u>(49,814)</u>	<u>(713,554)</u>	<u>6,981</u>	<u>(756,387)</u>
Other Financing Sources (Uses):				
CIB Grant	-	370,000	-	370,000
CIB Bond Proceeds	-	350,000	-	350,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>720,000</u>	<u>-</u>	<u>720,000</u>
Net Change In Fund Balance	(49,814)	6,446	6,981	(36,387)
Fund Balance - Beginning	49,893	-	95,062	144,955
Fund Balance - Ending	<u>79</u>	<u>6,446</u>	<u>102,043</u>	<u>108,568</u>

The notes to the financial statements are an integral part of this statement.

ORANGEVILLE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	(36,387)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	1,126,927	
Depreciation Expense	<u>(39,345)</u>	
Total		1,087,582

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Revenue Bond Proceeds	(350,000)	
Note Principal Payments	6,000	
Bond Principal Payments	<u>3,437</u>	
Total		(340,563)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	<u>(3,576)</u>
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Changes In Net Assets of Governmental Activities	<u><u>707,056</u></u>
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**ORANGEVILLE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund
	<u>Utility Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	114,957
Accounts Receivable	<u>18,327</u>
Total Current Assets	<u>133,284</u>
Noncurrent Assets:	
Capital Assets: (Net of Accumulated Depreciation)	
Land	3,155
Water Shares	615,148
Water and Sewer Systems	<u>99,344</u>
Total Noncurrent Assets	<u>717,647</u>
TOTAL ASSETS	<u>850,931</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	8,916
Customer Deposits	1,612
Loan Payable - Current Portion	<u>562</u>
Total Current Liabilities	<u>11,090</u>
Noncurrent Liabilities:	
Loan Payable - Long-Term Portion	<u>9,233</u>
TOTAL LIABILITIES	<u>20,323</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	707,852
Unrestricted	<u>122,756</u>
TOTAL NET ASSETS	<u>830,608</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>850,931</u></u>

The notes to the financial statements are an integral part of this statement.

ORANGEVILLE CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Fund
	<u>Utility Fund</u>
Operating Revenues:	
Charges for Sales and Services:	
Water Sales	83,843
Secondary Water Sales	36,567
Sewer Sales	44,927
Garbage Fees	33,306
Connection Fees	<u>10,070</u>
Total Operating Revenues	<u>208,713</u>
Operating Expenses:	
Maintenance and Operations - Special Service District	82,867
Salaries, Wages and Benefits	38,212
Materials, Supplies and Utilities	18,052
Administrative Charges	30,000
Garbage Costs	32,084
Depreciation	11,930
Water Lease Payments	<u>7,000</u>
Total Operating Expenses	<u>220,145</u>
Operating Income	<u>(11,432)</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	523
Contribution of Water Shares	16,500
Interest Expense	<u>(339)</u>
Total Nonoperating Revenues (Expenses)	<u>16,684</u>
Change in Net Assets	5,252
Total Net Assets - Beginning	<u>825,356</u>
Total Net Assets - Ending	<u><u>830,608</u></u>

The notes to the financial statements are an integral part of this statement.

**ORANGEVILLE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity <u>Enterprise Fund</u>
	<u>Utility Fund</u>
Cash Flows From Operating Activities:	
Receipts From Customers	209,342
Payments to Suppliers	(169,959)
Payments to Employees	<u>(38,212)</u>
Net Cash Provided by Operating Activities	<u>1,171</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(545)
Interest Paid on Capital Debt	<u>(339)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(884)</u>
Cash Flows from Investing Activities:	
Interest Received	<u>523</u>
Net Cash Provided (Used) by Investing Activities	<u>523</u>
Net Increase (Decrease) in Cash and Cash Equivalents	810
Cash and Cash Equivalents - Beginning	<u>114,147</u>
Cash and Cash Equivalents - Ending	<u><u>114,957</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>(11,432)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided Provided (Used) By Operating Activities:	
Depreciation	11,930
Increase (Decrease) in Operating Assets:	
Accounts Receivable	629
Accrued Liabilities	<u>44</u>
Total Adjustments	<u>12,603</u>
Net Cash Provided (Used) by Operating Activities	<u><u>1,171</u></u>

The notes to the financial statements are an integral part of this statement.

**ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Orangeville City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Orangeville City is a municipal corporation in Emery County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Orangeville City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Orangeville City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Building Authority Fund which accounts for the construction of major fixed assets then leased to Orangeville City for City purposes.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

**ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government reports the following Proprietary Funds:

The Enterprise Fund accounts for the activities of the City water and sewer operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Utility Systems

6 - 40 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes:

Property taxes are assessed and collected for the City by Emery County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS

Orangeville City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the City's deposits was \$23,794 and the bank balance was \$42,460. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council. Petty cash was \$250.00.

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Cash On Hand	250
Demand Deposits	23,794
Investments - PTIF	<u>166,056</u>
Total Cash and Investments	<u><u>190,100</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	75,143
Business-Type Activities - Unrestricted	<u>114,957</u>
Total Cash and Cash Equivalents	<u><u>190,100</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$0 of the local government's bank balances of \$42,460 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$166,056 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVE REQUIREMENTS

General Fund:

The loan with Permanent Community Impact Board requires the following bond reserves:

- 1) Reserve fund - \$55.36 per month for 72 months to a maximum of \$3,985.92. The balance at year end was \$4,000.

Municipal Building Authority:

The bonds with Permanent Community Impact Board requires the following bond reserves:

- 2) Reserve fund - \$2,000 per year for six years beginning April of 2007. The balance at year end was \$0.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	126,400	-	-	126,400
Infrastructure	<u>4,040,728</u>	<u>394,927</u>	-	<u>4,435,655</u>
 Total Capital Assets Not Being Depreciated	 <u>4,167,128</u>	 <u>394,927</u>	 -	 <u>4,562,055</u>
 Capital Assets Being Depreciated:				
Buildings	355,000	720,000	-	1,075,000
Improvements Other Than Buildings	75,013	7,100	-	82,113
Machinery and Equipment	<u>280,434</u>	<u>5,000</u>	-	<u>285,434</u>
 Total Capital Assets Being Depreciated	 <u>710,447</u>	 <u>732,100</u>	 -	 <u>1,442,547</u>
 Less Accumulated Depreciation For:				
Buildings	157,379	15,137	-	172,516
Improvements Other Than Buildings	19,446	4,196	-	23,642
Machinery and Equipment	<u>158,705</u>	<u>20,013</u>	-	<u>178,718</u>
 Total Accumulated Depreciation	 <u>335,530</u>	 <u>39,346</u>	 -	 <u>374,876</u>
 Total Capital Assets Being Depreciated (Net)	 <u>374,917</u>	 <u>692,754</u>	 -	 <u>1,067,671</u>
 Governmental Activities Capital Assets, Net	 <u>4,542,045</u>	 <u>1,087,681</u>	 -	 <u>5,629,726</u>

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	3,155	-	-	3,155
Water Stock	598,648	16,500	-	615,148
 Total Capital Assets Not Being Depreciated	<u>601,803</u>	<u>16,500</u>	<u>-</u>	<u>618,303</u>
 Capital Assets Being Depreciated:				
Old Culinary System	204,000	-	-	204,000
New Culinary System	180,000	-	-	180,000
Sewer Line Pumps	56,400	-	-	56,400
Sewer Line	19,026	-	-	19,026
 Total Capital Assets Being Depreciated	<u>459,426</u>	<u>-</u>	<u>-</u>	<u>459,426</u>
 Less Accumulated Depreciation For:				
Old Culinary System	167,900	6,800	-	174,700
New Culinary System	112,500	4,500	-	117,000
Sewer Line Pumps	56,400	-	-	56,400
Sewer Line	11,352	630	-	11,982
 Total Accumulated Depreciation	<u>348,152</u>	<u>11,930</u>	<u>-</u>	<u>360,082</u>
 Total Capital Assets Being Depreciated (Net)	<u>111,274</u>	<u>(11,930)</u>	<u>-</u>	<u>99,344</u>
 Business Type Activities Capital Assets, Net	<u>713,077</u>	<u>4,570</u>	<u>-</u>	<u>717,647</u>
 Total Capital Assets	<u><u>5,255,122</u></u>	<u><u>1,092,251</u></u>	<u><u>-</u></u>	<u><u>6,347,373</u></u>

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities	Business Type Activities	Total
General Government	9,647	-	9,647
Public Safety	4,500	-	4,500
Public Health	-	11,930	11,930
Highways and Public Improvements	11,978	-	11,978
Parks and Recreation	13,221	-	13,221
Total Depreciation Expense	<u>39,346</u>	<u>11,930</u>	<u>51,276</u>

NOTE 5 - WATER STOCKS

Orangeville City owns stock in Cottonwood Creek Irrigation Company. The change in water stock ownership during the year is summarized below:

	Balance June 30, 2005	Purchases	Contributed	Balance June 30, 2006
Primary	864.95	-	11.00	875.95
Project	64.00	-	-	64.00
Cost/Fair Market Value	598,647.50	-	16,500.00	615,147.50

NOTE 6 - MUNICIPAL BUILDING AUTHORITY

On May 9, 2005, the City adopted resolution No. R-2005-5 providing for the creation of a Municipal Building Authority for the purpose of acquiring, improving or extending one or more projects under Title 17A, chapter 3, Part 9, Utah Code annotated 1953 of the Municipal Building Authority Act. The purpose also includes the ability to finance the costs on behalf of the City in accordance with the procedures and subject to limitations of the Act in order to accomplish the public purposes for which the City exists.

The Municipal Building Authority was created to allow the City to finance and build a fire house for fire protection for the City. The City started and completed construction during the current fiscal year.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG TERM DEBT

Business-Type Long-Term Debt Payable:

Contract Payable:

On July 14, 1994, the City purchased, on contract, 45 shares of project water from the Emery Water Conservancy District. The terms of the contract require yearly payments of \$860.00 over 27 years with an interest rate of 3.046%. Payments were to commence January 1, 1994 and continue each succeeding January 1, thereafter, until the year 2020. The principal balance at June 30, 2006, was \$9,795.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	562	298	860
2007-2008	578	282	860
2008-2009	596	264	860
2009-2010	615	245	860
2010-2011	633	227	860
2012-2016	3,468	832	4,300
2017-2021	<u>3,342</u>	<u>271</u>	<u>3,613</u>
Totals	<u>9,794</u>	<u>2,419</u>	<u>12,213</u>

Governmental Long-Term Debt Payable:

Class "C" Revenue Bond:

On December 3, 1998, the Permanent Community Impact Fund Board authorized a \$34,000 grant and a \$34,000 loan to the City for the construction of a new concrete bridge across Adobe Wash in Orangeville City.

The loan requires ten (10) annual payments on January 1 of each year beginning on January 1, 2001. The required annual payment is \$3,985.84 including interest at 3%. The bond is secured by a pledge by the City on 100% of the City's road fund revenues, and the City is required to warrant and demonstrate that those net revenues equal or exceed 125% of the total annual debt service requirements on the Bond and any other obligations secured by a pledge of those revenues. The loan balance at year end was \$14,816.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	3,541	444	3,985
2007-2008	3,648	337	3,985
2008-2009	3,757	228	3,985
2009-2010	<u>3,870</u>	<u>115</u>	<u>3,985</u>
Totals	<u><u>14,816</u></u>	<u><u>1,124</u></u>	<u><u>15,940</u></u>

Municipal Building Authority Loan:

The City obtained financing from the Community Impact Board obtaining a \$370,000 grant and a \$350,000 loan. The loan requires yearly payments beginning April 1, 2007 and is interest free.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	11,000	-	11,000
2007-2008	11,000	-	11,000
2008-2009	11,000	-	11,000
2009-2010	11,000	-	11,000
2010-2011	11,000	-	11,000
2012-2016	55,000	-	55,000
2017-2021	60,000	-	60,000
2022-2026	60,000	-	60,000
2027-2031	60,000	-	60,000
2032-2036	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Totals	<u><u>350,000</u></u>	<u><u>-</u></u>	<u><u>350,000</u></u>

Note Payable:

During 2004 the City acquired property for the purpose of building a fire house in the future. The City borrowed \$18,000 and the terms of the loan requires yearly payments in the amount of \$6,000 interest free. The first payment was made in May of 2004 and two successive payments of \$6,000 were required on July 31st of the following two fiscal years. The note was paid in full during the year.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a statement of changes in Governmental long-term debt payable:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
Revenue Bond - CIB	18,254	-	3,438	14,816
Bonds Payable - CIB	-	350,000	-	350,000
Note Payable	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
	<u>24,254</u>	<u>350,000</u>	<u>9,438</u>	<u>364,816</u>

Compensated Absences:

The following is a statement of changes in compensated absences:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
Compensated Absences	<u>4,031</u>	<u>3,576</u>	<u>-</u>	<u>7,607</u>

NOTE 8 - CLASS "C" ROAD RESERVED FUND BALANCE

The following is a statement of receipts and disbursements in the Class "C" Road reserved fund balance:

BALANCE - BEGINNING OF YEAR	81,248
Receipts:	
State of Utah Allotments	60,309
Other	348
Interest Earnings	<u>2,177</u>
Total Receipts	62,834
Disbursements:	
Construction and Maintenance	<u>(85,546)</u>
BALANCE - END OF YEAR	<u>58,536</u>

**ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 9 - PERPETUAL CARE FUND

The following is a statement of receipts and disbursements in the Perpetual Care Fund:

FUND BALANCE - BEGINNING OF YEAR		95,062
Receipts:		
Sale of Cemetery Perpetual Care Certificates	6,481	
Other	<u>500</u>	
Total		6,981
Disbursements		<u>-</u>
FUND BALANCE - END OF YEAR		<u><u>102,043</u></u>

NOTE 10 - PENSION PLAN

Local Governmental - Cost Sharing:

Plan Description:

Orangeville City contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Orangeville City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 10 - PENSION PLAN (CONTINUED)

Orangeville City contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Noncontributory System, \$10,918.78, \$11,533.39 and \$9,426.22. The contributions were equal to the required contributions for each year.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries and disasters. The City is insured through the Utah Local Government Trust for general liability coverage. The limits of coverage is \$1,000,000 with \$250 deductible for each occurrence for both comprehensive general liability and automobile liability. Uninsured motorist has a \$50,000 limit per each accident.

The City is insured for property and equipment loss through Allstate Insurance. This coverage is for all buildings and equipment owned by the City. The coverage is for replacement cost with a \$250 deductible.

Claims have not exceeded coverage in any of the last three calendar years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**ORANGEVILLE CITY
CONDITION RATING OF THE COUNTY'S ROAD SYSTEM**

For The Fiscal Year Ended June 30, 2006

Percentage of Lane-Miles in Good or Better Condition:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Paved	65	75	82
Gravel	60	75	77
Dirt	61	71	70
Overall System	62	73	76
Bridges	70	80	80

Percentage of Lane-Miles in Substandard Condition:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Paved	14	12	9
Gravel	10	9	8
Dirt	12	9	8
Overall System	11	10	8
Bridges	7	5	5

Comparison of Needed-to-Actual Maintenance/Preservation - Roads and Bridges:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Estimated	200,000	150,000	140,000
Actual	170,000	122,800	130,000

The condition of road pavement is measured using the American... (AASHTO) pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the City's policy to maintain at least 60 percent of its road system at a good or better condition level. No more than 15 percent should be in substandard condition. Condition assessments are determined every year.

This schedule only presents the information for the last three years. GASB standards require reporting the last three complete condition assessments and needed-to-actual information for 5 years. However, the City implemented these new standards in 2004, and did not collect this information for the prior years. The City will continue to collect and retain this information so that over a period of five years it will be able to report the required information.

The condition of the City's bridges is determined using its Bridge Management and Inspection Program (BMIP). The bridge condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1.0 (impaired or load restricted) to 7.0 (new). It is the City's policy to keep the number and square footage of deck area of bridges with a condition rating of 1.0 to 1.9 below 1 percent. All bridges are inspected every two years.

**ORANGEVILLE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2005	<u>49,893</u>	<u>49,893</u>	<u>49,893</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	43,717	43,717	44,932	1,215
Delinquent Prior Years Taxes	4,000	4,000	2,703	(1,297)
Fee-In-Lieu of Taxes	27,000	27,000	18,640	(8,360)
General Sales and Use Taxes	159,000	159,000	162,284	3,284
Franchise Taxes	<u>45,000</u>	<u>45,000</u>	<u>32,777</u>	<u>(12,223)</u>
Total Taxes	<u>278,717</u>	<u>278,717</u>	<u>261,336</u>	<u>(17,381)</u>
Licenses and Permits:				
Animal Licenses	5,000	5,000	4,049	(951)
Business Licenses	3,300	3,200	2,538	(662)
Building Permits	<u>9,500</u>	<u>695</u>	<u>868</u>	<u>173</u>
Total Licenses and Permits	<u>17,800</u>	<u>8,895</u>	<u>7,455</u>	<u>(1,440)</u>
Intergovernmental Revenue:				
State and Federal Grants	47,571	47,571	44,921	(2,650)
Class C Road Funds	60,000	60,000	60,309	309
State Liquor Funds	<u>700</u>	<u>700</u>	<u>820</u>	<u>120</u>
Total Intergovernmental Revenue	<u>108,271</u>	<u>108,271</u>	<u>106,050</u>	<u>(2,221)</u>
Charges for Services:				
Park Reservations	900	900	705	(195)
Utility Administrative Fee	30,000	30,000	30,000	-
City Hall Fees	-	1,000	800	(200)
Burial Fees	<u>-</u>	<u>4,000</u>	<u>2,225</u>	<u>(1,775)</u>
Total Charges for Services	<u>30,900</u>	<u>35,900</u>	<u>33,730</u>	<u>(2,170)</u>
Miscellaneous Revenue:				
Interest	20,800	6,500	7,951	1,451
Other Revenues	<u>-</u>	<u>5,820</u>	<u>3,511</u>	<u>(2,309)</u>
Total Miscellaneous Revenue	<u>20,800</u>	<u>12,320</u>	<u>11,462</u>	<u>(858)</u>

**ORANGEVILLE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows) Continued:				
Contributions and Transfers:				
General Fund Surplus	<u>123,899</u>	<u>100,199</u>	<u>-</u>	<u>(100,199)</u>
Total Contributions and Transfers	<u>123,899</u>	<u>100,199</u>	<u>-</u>	<u>(100,199)</u>
Amounts Available for Appropriation	<u>630,280</u>	<u>594,195</u>	<u>469,926</u>	<u>(124,269)</u>
Charges to Appropriations (Outflows):				
General Government:				
Central Purchasing	9,100	7,069	7,065	4
Mayor and Council	18,800	18,800	18,215	585
Planning and Zoning	10,700	10,290	9,793	497
Administration	79,650	52,160	51,516	644
Non-Departmental	2,200	52,544	48,546	3,998
General Municipal Buildings	<u>9,350</u>	<u>7,405</u>	<u>7,044</u>	<u>361</u>
Total General Government	<u>129,800</u>	<u>148,268</u>	<u>142,179</u>	<u>6,089</u>
Public Safety:				
Fire Department	24,300	23,420	21,136	2,284
Police Department	<u>15,700</u>	<u>12,060</u>	<u>12,057</u>	<u>3</u>
Total Public Safety	<u>40,000</u>	<u>35,480</u>	<u>33,193</u>	<u>2,287</u>
Highway and Public Improvements:				
Roads	164,420	167,481	166,352	1,129
Class C Roads	131,000	130,500	85,546	44,954
Shop	<u>6,200</u>	<u>4,840</u>	<u>4,789</u>	<u>51</u>
Total Highways and Public Improvements	<u>301,620</u>	<u>302,821</u>	<u>256,687</u>	<u>46,134</u>
Culture and Recreation:				
Cemetery	30,017	21,196	18,327	2,869
Parks	<u>78,950</u>	<u>36,537</u>	<u>19,461</u>	<u>17,076</u>
Total Culture and Recreation	<u>108,967</u>	<u>57,733</u>	<u>37,788</u>	<u>19,945</u>
Total Charges to Appropriations	<u>580,387</u>	<u>544,302</u>	<u>469,847</u>	<u>74,455</u>
Budgetary Fund Balance - June 30, 2006	<u>49,893</u>	<u>49,893</u>	<u>79</u>	<u>(49,814)</u>

**ORANGEVILLE CITY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL BUILDING AUTHORITY**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Resources (Inflows):				
Interest Revenue	-	-	5,049	5,049
Other Revenue	-	-	12,551	12,551
State Grants	370,000	370,000	370,000	-
Bond Proceeds	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Amounts Available for Appropriation	<u>720,000</u>	<u>720,000</u>	<u>737,600</u>	<u>17,600</u>
Charges to Appropriations (Outflows):				
General Government	-	-	11,154	(11,154)
Capital Outlay	<u>720,000</u>	<u>720,000</u>	<u>720,000</u>	<u>-</u>
Total Charges to Appropriations	<u>720,000</u>	<u>720,000</u>	<u>731,154</u>	<u>(11,154)</u>
Budgetary Fund Balance - June 30, 2006	<u>-</u>	<u>-</u>	<u>6,446</u>	<u>6,446</u>

ORANGEVILLE CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Municipal Building Authority</u>
Sources/Inflows and Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	469,926	737,600
Differences - Budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(49,893)	-
Bond proceeds are inflows to budgetary resources but are not revenues for financial reporting purposes.	-	(720,000)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>420,033</u>	<u>17,600</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	469,847	731,154
Differences - Budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	-	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>469,847</u>	<u>731,154</u>



COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Orangeville City
Orangeville, Utah 84537

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Orangeville City as and for the year ended June 30, 2006, which collectively comprise Orangeville City's basic financial statements and have issued our report thereon dated August 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Orangeville City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orangeville City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain matter that we reported to management of Orangeville City in a separate letter dated August 8, 2006.

Honorable Mayor and City Council
Orangeville City
Page -2-

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 8, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Orangeville City
Orangeville, Utah 84537

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Orangeville City, for the fiscal year ended June 30, 2006, and have issued our report thereon dated August 8, 2006. As part of our audit, we have audited Orangeville City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
CIB Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements


The management of Orangeville City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

Honorable Mayor and City Council
Orangeville City
Page -2-

In our opinion, Orangeville City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 8, 2006
Richfield, Utah

**ORANGEVILLE CITY
MANAGEMENT LETTER
JUNE 30, 2006**

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

Honorable Mayor and City Council
Orangeville City
Orangeville, Utah 84537

During our audit of the funds of Orangeville City for the fiscal year ended June 30, 2006, we noted an area needing corrective action in order for the City to be in compliance with state laws and regulations. This item is discussed below for your consideration.

COMPLIANCE:

General Fund – Deficit Fund Balance

The State requires Cities to maintain a minimum fund balance of 5% of estimated revenues.

Finding:

We noted during the audit that the unreserved fund balance at year end was a deficit balance of \$62,457. Based on the 2006-2007 estimated revenues the fund balance would need to have an unreserved balance of at least \$23,000.

Recommendation:

We recommend that the deficit fund balance be budgeted to be made up in the following fiscal year in amounts sufficient to maintain an unreserved fund balance of 5% of estimated revenues.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Orangeville City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

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Richfield, Utah